

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 NEA-09 ISO-00 EB-07 L-02 TRSE-00 MC-02

XMB-02 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00

FAA-00 PM-03 SP-02 AID-05 /058 W

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R 241545Z APR 75

FM AMCONSUL CAPE TOWN

TO SECSTATE WASHDC 4595

INFO AMEMBASSY CASABLANCA

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

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CASABLANCA FOR RCAA

E.O. 11652: N/A

TAGS: BEXP, EAIR, EFIN, SF, FR

SUBJECT: CIVIL AIRCRAFT SALES PROPOSALS

REF: JOHANNESBURG 134 (NOTAL)

1. SUMMARY. SAA HAS ASKED BOEING, DOUGLAS, LOCKHEED, AND AIROSPATIALE FOR PROPOSALS BY MAY 23 FOR SALE OF CIVIL AIRCRAFT FOR DOMESTIC SERVICE WITH DELIVERY BY END OF 1976 OR EARLY 1977. ORDER VALUE APPROXIMATELY 100 MILLION DOLLARS, WITH FOLLOW-ON SALES LIKELY. FRENCH COMPETING STRONGLY FOR THIS SALE ON POLITICO-MILITARY AS WELL AS COMMERCIAL FRONT. END SUMMARY.

2. ROBERT P. EDWARDS, AMCIT BOEING REPRESENTATIVE FROM JOHANNESBURG, DISCUSSED LATEST DEVELOPMENTS IN COMPETITION FOR SALE OF CIVIL AIRCRAFT TO SOUTH AFRICAN AIRWAYS WITH ECON OFFICER AT CONGEN APRIL 23. HE SAID SAA HAS ASKED FOR PROPOSAL BY MAY 23, INCLUDING FINANCIAL PLAN, FROM BOEING, LOCKHEED, MCDONNELL-
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DOUBLAS, AND AEROSPATIALE. PROPOSAL CONCERNS THREE BOEING

747S AND FOUR AIRCRAFT IN THE CASE OF EACH OF THE OTHER MANUFACTURERS FOR DELIVERY BY END OF 1976 OR EARLY 1977 TO ACCOMMODATE GROWTH IN DOMESTIC TRAFFIC. VALUE OF CONTRACT AWARD IS ABOUT 100 MILLION DOLLARS. SAA DECISION ON PROPOSALS SUBMITTED WILL BE ANNOUNCED 60 DAYS LATER, I.E., BY JUNE 22.

3. AIRCRAFT IN WHICH SAA IS INTERESTED ARE BOEING 747 SP/DOMESTIC, DOUGLAS DC10-10, LOCKHEED L-1011 AND EUROPEAN AIRBUS. EDWARDS ESTIMATES THAT BY 1980 THIS AWARD WILL BE WORTH 250-300 MILLION DOLLARS IN FOLLOW-ONE BUSINESS FOR DOMESTIC FLIGHT NEEDS ALONE.

4. BOEING REGARDS AIRBUS COMPETITION AS POSSIBLY THE STRONGEST BECAUSE OF FRENCH POSITION AS SUPPLIER OF ARMS TO SOUTH AFRICA AND FRENCH GOVERNMENT SUPPORT FOR STRONG SALES EFFORT, INCLUDING PRESSURE ON SAG. THERE IS ALSO COMPELLING NEED TO SELL AIRBUS HERE AS OFFSET TO IMPACT OF ECONOMIC DOWNTURN WHICH HAS AFFECTED SALES ELSEWHERE. WITH REGARD TO FINANCIAL PACKAGE, EDWARDS SAID FRENCH ARE KNOWN TO HAVE MADE AN OFFER ELSEWHERE RECENTLY THAT PROVIDED DEFERRED PAYMENT FOR THE FIRST TWO YEARS, FOLLOWED BY TEN-YEAR TERM WITH FIVE PER CENT INTEREST, PLUS GUARANTEE AND LOAN COSTS WHICH PROBABLY MEANT EFFECTIVE RATE APPROACHING SIX PER CENT. FYI. BOEING DOES NOT CONTEMPLATE APPROACH TO EXIM. END FYI.

5. BOEING MAY HAVE AN ADVANTAGE IN OFFERING 747 SPS WHICH CAN BE MODIFIED FROM DOMESTIC TO INTERNATIONAL CONFIGURATION IN EVENT SAA SHOULD LOSE LANDING RIGHTS AT ILHA DO SAL AND LAS PALMAS, SINCE THIS AIRCRAFT HAS CAPABILITY TO FLY FULL LOAD NON-STOP TO LONDON, BOTH OVERLAND AND BY SEA ROUTE. FRENCH COUNTER TO THIS IS OFFER TO NEGOTIATE LANDING RIGHTS FOR SAA IN UNSPECIFIED WEST AFRICAN COUNTRY.

6. ACCORDING TO EDWARDS, SA RAILWAYS GENERAL MANAGER LOUBSER (WITH RESPONSIBILITY FOR SAA AS PART OF SARH ADMINISTRATION) IS AWARE OF FRENCH PRESSURES ON HIS GOVERNMENT BUT IS TOTALLY WEDDED TO CONCEPT OF CONTINUING TO MAKE CIVIL AIRCRAFT PURCHASES SOLELY ON THE BASIS OF ECONOMIC AND COMMERCIAL CRITERIA, EVEN THOUGH HE RECOGNIZES AND HAS ADMITTED HE MAY POSSIBLY BE OBLIGED TO ACCEPT A GOVT IMPOSED DECISION WHICH HAS BEEN TAKEN AS A LIMITED OFFICIAL USE

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RESULT OF POLITICAL OR DEFENSE RELATED FACTORS.

7. WITH REGARD TO SAA PLANS FOR RETIREMENT OF BOING AIRCRAFT NOW IN USE, EDWARDS SAID OLDEST MODELS WERE ACQUIRED ABOUT 15 YEARS AGO AND BY CURRENT FUEL CONSUMPTION STANDARDS ARE COSTLY TO OPERATE. SAA WILL CONTINUE TO HAVE OCCASIONAL NEED FOR THEM, HOWEVER, AND DOES NOT WISH THEREFORE TO HAVE THEM LEAVE SOUTH AFRICA. HE ESTIMATED THEIR SALE VALUE AS BEING ONLY SLIGHTLY IN

EXCESS OF 200,000 DOLLARS EACH.

8. EDWARDS HAS RECENTLY BEEN INFORMED THROUGH HIS COMPANY'S WASHINGTON OFFICE THAT THE US GOVT WILL BE ASKING FOR EMBASSY COMMENT ON THE POSSIBLE TRANSFER OF TWO OF THE OLDEST OF SAA'S 707S TO THE SOUTH AFRICAN AIR FORCE, WITH THE RIGHT TO RECALL BOTH AIRCRAFT FOR SAA USE IN PEAK TRAVEL SEASONS. HE SAID THE FRENCH ARE AWARE OF THIS PROPOSAL AND SAA'S DESIRE TO KEEP THESE TWO 707S IN THE COUNTRY FOR USE AS NEEDED, BUT HAVE AN ALTERNATIVE PROPOSAL WHICH WOULD INCLUDE SELLING THE AIRBUS TO THE AIR FORCE AS WELL AS TO SAA.

9. FOR DEPT (AF/S): EDWARDS REQUESTS DEPT INFORM AMBASSADOR BOWDLER. FOR PRETORIA: EDWARDS PLANNING CALL ON OIC PRATT SHORTLY TO DISCUSS FOREGOING AND IN PARTICULAR QUESTION OF 707 TRANSFERS TO SAAF.
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